

MAR 05 1984

D. LEASE ACTIONS

1. Request for Extension of Paraho Oil Shale Leases - ML 20679-80-82

Paraho Development Corporation, 183 Inverness Drive West, Englewood, Colorado, 80112, acting under an agreement with the lessee, Amoco Production Company, has requested an extension of the terms of oil shale leases ML 20679, ML 20680, and ML 20682 covering the following lands:

Township 10 South, Range 23 East, SLM.  
Section 36: All

Township 10 South, Range 24 East, SLM.  
Section 16: All  
Section 32: All.

These leases are now scheduled to expire July 1, 1985. The Board has previously approved an exchange of the lands covered by these leases for certain Federal lands in the area of the Paraho-Ute oil shale project near Bonanza, Utah.

If the State is able to acquire these Federal lands, it will complete the land pattern for the exploration and development of the Paraho-Ute Project. The lands in these leases which the extension is requested are part of the lands being offered as base in this exchange. When the exchange is completed, Paraho and Amoco will relinquish these oil shale leases on the base lands in the exchange for a preference-right oil shale lease on the acquired lands. If these oil shale leases expire, then Paraho and Amoco would not be able to obtain the preference-right lease. If these leases expire and the exchange is completed, we would have to offer the lands for lease by our simultaneous filing procedures.

The Staff feels the Board has the following two alternatives:

1. Reject the Paraho request and lease part of the acquired lands by simultaneous filing if the exchange is not approved prior to the expiration of these leases.
2. Approve the request and allow Paraho and Amoco to exchange the lands covered by these leases for a preference-right lease upon completion of the land exchange.

D. LEASE ACTIONS (CONT'D)1. Request for Extension of Paraho Oil Shale Leases ML 20679-80-82 (cont'd)

Mr. Prince, of the Staff, recommends the Board approve Alternative No. 2. He feels that it would be in the best interest of the State to approve the Paraho request so that they could obtain the preference-right lease on the lands to be acquired in the land exchange and proceed with the development of their oil shale project. The Staff recommends that the oil shale leases listed above be extended for five years or until the land exchange is completed and the preference-right leases issued to Paraho and Amoco, whichever is the shorter time.

Ross / St. John. Unanimously approved.

"I move we approve this as recommended."

2. Mono Power Company Annual Diligence Report

In 1981 Mono Power Company received from the Board a three-year extension of its State leases in the Sunnyside area. The extension was to allow Mono to convert its Federal oil and gas leases into combined hydrocarbon leases and to develop a regional mining plan which would integrate its State leases. Terms of the extension require Mono to annually report its progress back to the Board.

Mr. Blake, of the Staff, recently met with Mono to discuss activities completed during 1983. Mono reports expenditures in excess of one million dollars on the project. Expenditures centered around further drilling of Mono's Federal leases and upon hydrologic studies of the entire area. The Staff was disappointed that greater effort was not made by Mono to drill the State leases or otherwise directly delineate the resource on State lands. Nevertheless, the crux of the entire project is whether or not Mono's Federal leases will receive conversion approval. We should know the answer to that question no later than April, 1984. If the conversions are approved, then a more solid commitment should be obtained from Mono to move forward with tar sands development in the Sunnyside area.

Mr. Blake, of the Staff, recommends that the third year of extension on these leases be allowed. Once we learn the fate of Mono's Federal conversion applications next April, we can better evaluate Mono's real intent to develop and mine the State leases.